

State of California

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Legislative Change No.**00-26**Bill Number: SB 1933Author: VasconcellosChapter Number: 00-619

Laws Affecting Franchise Tax Board:

Part 18.3 of Division 2 of the Revenue and Taxation Code (Sections 38061 to 38067).Date Filed with the Secretary of the State: 09/24/2000

SUBJECT: California Commission on Tax Policy in the New Economy/FTB Executive Officer, BOE, EDD, DOR and Controller Members of Commission

Senate Bill 1933 (Vasconcellos), as enacted on September 24, 2000, made the following changes to California law:

Part 18.3 is added to Division 2 of the Revenue and Taxation Code (Sections 38061 to 38067).

This act establishes the California Commission on Tax Policy in the New Economy to develop a long-term strategy for revising the state and local tax structure for California. This commission will examine the impact of the Internet and other forms of electronic technology on various types of taxes, including income and franchise taxes, and submit a report to the Legislature.

The commission is comprised of nine voting members (three representing business, three representing local government, and three representing various public groups including academia, organized labor, and public interest groups) and nine ex-officio nonvoting members of various state and legislative entities. The Executive Officer of the Franchise Tax Board, the Chair of the State Board of Equalization, and the Controller (or designees) are three of the nine nonvoting members. The Governor will appoint five voting members, and the Senate Rules Committee and the Speaker of the Assembly will each appoint two voting members.

The commission's responsibilities include the following:

- ?? identifying all the key stakeholders and inviting them to participate in the commission's process;
- ?? developing a comprehensive agenda of goals and a roadmap of all critical issues to be addressed in achieving a workable, flexible, balanced, and long-term solution;
- ?? conducting public hearings and addressing each of the critical issues identified by the commission and seeking comprehensive conclusions with respect to the best public policy for taxing the Internet;
- ?? examining and describing all aspects of the current and the future California economy, with special attention to the influence of new technologies, including but not limited to the use of the Internet in electronic commerce;

Bureau Director

Johnnie Lou Rosas

Date

October 18, 2000

- ?? assessing the impact of those predictions about the economy on the sources and amounts of projected public revenues, with special attention to the needs of local government; and
- ?? studying and making recommendations regarding specific elements of the California system of state and local taxes, including but not limited to issues related to sales and use tax, telecommunications taxes, income and franchise taxes, and property taxes.

With respect to **income and franchise taxes**, the commission's responsibilities include examining (1) recent trends in the collection of bank and corporation taxes and the impact that a transitioning economy has had on those trends, and (2) the relationship between bank and corporation taxes and personal income taxes and whether trends in the new economy will have an impact on that relationship.

This act is effective and operative on January 1, 2001, and will be repealed on January 1, 2004, unless a statute is enacted to extend or delete that date.

This act will not require any reports by the department to the Legislature. However, the commission is required to submit an interim report to the Governor and Legislature within 12 months from the date of the commission's first public meeting. A final report with recommendations is due not later than 24 months from the date of the commission's first public meeting.